

ESSENTIAL ELEMENTS
OF
BUSINESS CHARACTER

HERBERT G. STOCKWELL

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Essential Elements of Business
Character

Essential Elements *of* Business Character

By
HERBERT G. STOCKWELL

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A Few Words in Advance

IT has given me a great deal of pleasure to write these few notes concerning some essential elements of business character as I have seen them in successful men of my acquaintance.

When these thoughts were first set down on paper I had no idea of publishing them in book form, nor had I any anticipation of the kind things that have been said about them. There is so much drawing power in the subject itself that young business men and women are eager to read anything written about it. To that desire I attribute the request that my articles be published in this little book.

Any attempt to analyze business character leads one almost surely into the use of time-worn platitudes. A summary of the qualities which business men should possess may be expressed in a few phrases, such as—he must thoroughly understand his business, must be thoroughly reliable in his dealings, and must

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have the ability to attract attention to the goods or services which he offers.

When the observer has thus summarized business character he has covered the ground pretty well, and yet it leaves him dissatisfied because he has said nothing on which an inquirer could pin a definite resolution. No clue is disclosed by which the student can seek further light.

Now, simply to open the subject a little further, I have noted a few experiences with a thought or two drawn therefrom. The reader will oblige me if he considers each chapter, not as an attempt at a complete treatise or essay, but rather as consisting of notes on several aspects of business character as I have found them in successful, living business men.

Some of these chapters appeared as a series in *The Outlook* last winter, and the others have been added for the purpose of extending a few of the thoughts into further details.

H. G. S.

Philadelphia.

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I

BUSINESS ORGANIZATION

ON the train recently I met one of my friends in whose office a complete system of accounts has been lately installed. He was enthusiastic over the innovation and seemed to feel that he had at last started on the highway to success. In discussing the matter I put to him this leading question:

“What are you going to do with the *system*, now that you have it?”

“Oh, we are going to reduce our costs and increase our business,” he replied, optimistically.

“Do you expect the new system to do all that for you?”

“Of course it will,” said he. “Why not?”

“The system of accounts that you have will not reduce your costs or increase your business.”

“But,” he interrupted, “it will show us

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where we can reduce expenses and increase our business, won't it?"

"That is partially true; it will furnish you with figures which you can compare with such expenses as you have charged in the past, and also such as you will incur from now on. The accounts as now kept will also furnish you with much other valuable information, if used; but the finest, most comprehensive and best system possible to devise will not furnish you with *brains*."

Then I told him what I shall take the liberty of saying here:

System as generally understood will not reduce expenses, nor will it increase business. Forms, methods and accounts properly classified constitute *good tools*, but only *tools*. It will take *men*, and men of just the *right calibre*, to fill each and every position calling for the exercise of judgment in the conduct of the business. The *right man should be found*, and he should be put in the *right place*.

We very often overlook the fact that no two men are in character, tempera-

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ment or education exactly alike. Each and every one has some individual ability which, if discovered and utilized, will bring success not only to him, but to those who are depending on him for the performance of his duties.

A man who is performing his proper *function*, that is, doing what he is fitted for, should work easily. His eyes never seek the clock. He is absorbed in perfecting his work, yet he does not bustle about. He never appears worried. The man who is worried and harassed is not in his right place. The man who is both fit for his work and fitted to his work will work quietly, but with telling force.

BRAINS APPLIED TO ORGANIZATION

The man who has his business so organized that he can go away from his office for a reasonable time without causing a ripple in the business has executive ability to a sufficient extent to organize his working body of help properly. The executive cannot carry all the work on his shoulders. The good executive soon

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realizes this, so he builds up his machine and perfects it to a higher and higher degree of efficiency.

Any man who worries about his business too much should change it. He is not in the right place. Things may go wrong, and it may be troubles will come. A man may care ; yes, he must care. It is foolish to think otherwise ; but if the right man finds himself in the right place he will not allow the troubles to get hold of him to a sufficient extent to prevent him from thinking clearly and getting things back on the right track again.

One of my friends has for his "job" the distributing of a product of about \$45,000,000 annually. He has his men so well organized that he can "take things easy." He plays golf at least twice every week. His men do the scratching around, and he directs the scratching with a cool head.

PRESIDENT SELLING GOODS

The president of a very large contracting company said to me the other day :

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"I have been wondering whether I ought not to give up seeing customers, and spend more time looking after things generally."

"That seems a wise thing to do, as a general proposition," I said.

"But," said he, "I cannot find salesmen who can sell things the way I can."

"You ought to be able to find good salesmen," I observed.

"Not in my business," he replied. "Let me give you an example. Last week we received a letter from up the state requesting us to send a man to see about some slight alterations in a residence. I jumped on a train myself and after suggesting to the people some advantageous rearrangements of their residence, by which certain unused rooms were made available and comfortable, brought back a \$10,000 order. My men would have got a small order for just what the party at first thought he wanted, which would have amounted to not over forty dollars. I haven't any salesmen who could do what I did." It is clear

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that he had ability to sell but he lacked something of perhaps more importance in the general conduct of his business.

Executive ability consists in getting the right men in the right place and keeping them willingly at the top notch of endeavour. While it is true that it is hard to get good men, it is much harder to know and realize the kind of men required.

A man's mind has two channels; one through which flows thoughts connected with the daily routine of living and attending to ordinary affairs of life and business. In the other and higher channel are thoughts concerning the possibility of greater usefulness and larger opportunities for the helpful employment of capital and labour.

When such thoughts as *these* strike your consciousness, sit back in your chair for a few moments and think them through. Such thoughts are too precious to lose.

A mailing clerk handed in his resignation to a large manufacturer the other day, giving as his reason that the work

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was too monotonous. The president sent for the clerk and asked him whether he realized what an important part the circulars of the company played in backing up the salesmen.

"Do you know that every sale we make helps to keep our employees in bread and butter? Every effort you make on that mailing list is absolutely necessary to the success of the business, and, more, every employee here who draws wages helps to keep five other persons from actual want and misery." After a little more kindly encouragement along that line, the president told me, his clerk returned to his work with an enlarged vision of his own usefulness. These stimulations may well occupy a large portion of the time of the man in command, leaving minor tasks to be performed by others.

A SUMMARY OF DEPARTMENTAL FUNCTIONS

To obtain the best results the executive head of a business should have no *special*

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duties to perform. His is the task of organizing and perfecting the brain machine of which he is the governor.

The man in charge of production—call him vice-president, general manager or superintendent—should understand that end of the business better than any other man obtainable. Such a man will get the goods out in the least possible time at the lowest possible cost.

Matched against him will be the man in charge of the *distribution* of the product. He may be styled vice-president, "head of the selling department" or "chief salesman"—the name does not count. The product *must move*, and he is the man to do it, and do it at a profit, provided the cost is right. A salesman of the right calibre will keep *ahead of production* if possible—and he will make it possible.

These two men should work in harmonious antagonism; the salesman to get orders booked in advance of production, and the producer striving to catch up and even pass the salesman in order that he may not rest on his oars.

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The executive can watch, direct and encourage this friendly battle for supremacy, shaping the policy wisely and keeping the rivalry up to, but within, proper limits.

Financing the business involves many things unknown to any but the mind trained in such matters. Credit, discounts, collection, providing working capital, placing of bank accounts, insurance, taxes, and many other interesting topics, are best handled by men of special training.

Frequently the president attends to much of this detail, but it is much better if he manages his organization in such a way that most of these details can be turned over to specialized assistants.

Eliminate from the task of the executive head of the business the many details that others can as well, if not better, perform, and see what a vast vista of possibilities opens to him.

With time to think out the policies of the business in all of their aspects, can you doubt that he will not measurably increase its usefulness and emoluments?

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I say with all confidence that he will, provided he possesses those basic qualities without which a man may not win honourable success. What these qualities are, and who win in business I have tried to show in the following chapters.

II

BUSINESS KNOWLEDGE

A WEALTHY hat manufacturer who within the short period of twenty years has risen from the bench to a commanding position in his line of business, when asked to advise young men how to get on in business, said: "If I should select the rule most faithfully observed by me, it would be, '*Always keep your information account open.*'"

This somewhat whimsical remark is most expressive of the type of mind usually found at the head of a great business. Is it not curious that the men of large affairs are usually most eager for information? Small men are perfectly satisfied with what they know about their business, or, if not completely satisfied, allow themselves to become so immersed in the flood of routine daily details that their capacity for mental application to

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any subject not immediately pressing upon them is extremely limited.

When we read or hear about a man whose business visibly grows year by year, or one who is called to more and more important positions, we are apt to regard his success as being the result of some fortunate influence, or perhaps a lucky chance. Sometimes a feeling of envy takes possession of our hearts as we see our acquaintance rise in the business world. Why should he have been selected to receive the favours of fortune and we neglected, to remain on the lower plane? Why is it that we have never had an opportunity to change our office or employment for a better one? Without doubt there are some undersized examples of good fortune occupying positions of responsibility who have been pushed to the top through the assistance of family connections. Such men are able to hold purely nominal positions indefinitely; but let us look about us and see if we can point to a single example of a large enterprise—public, quasi-public, or

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private—which has been managed for any considerable time by a brainless product of fortunate circumstances.

(The word “brains” is used in business to indicate that mental ability which enables the possessor to grasp, analyze, and act upon facts before him. While the tendency to brains may be inherited by a man from his ancestors, mediately or immediately, the *actual* brains, in the sense in which the term is used in business, cannot be derived from any source other than attentive reading, instruction, and observation of facts and men.)

It would be interesting, if it were possible, to gather together a hundred of the presidents of the great corporations in our country in one huge room and ask them to tell us how they acquired the ability to command the positions to which they have been exalted. Would not our stenographic notes of this mighty meeting form a complete university course in business instruction? By a hundred different routes these mighty powers have reached the council of business kings.

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While no two chapters in our thus completely formed business library would contain repetitions, excepting such as would be useful for emphasis, we could not fail to observe running all the way through each chapter and each book continuous evidence of an eager search for knowledge on the part of those whose struggles are thus recorded. The useful information or business knowledge acquired by each of these masters has not been scrambled or gathered in any "happy-go-lucky" or "hit-or-miss" way. We would be impressed with the thought that each advance from the bottom to the top has been carefully prepared by anticipated study and intense research.

Thoughtless inclination leads us to believe that business men pick up their education as they go along, much in the same manner as a traveller snatches a hasty lunch at a wayside station. Few of us would think of a business man as possessing an educated intellect. This attribute is generally assigned to men of promi-

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nence in the learned professions. Such are, admittedly, natural students. We expect to hear that they have burned the midnight oil. A business man, however, is mistakenly thought to have acquired his knowledge only by hard, practical, current knocks. Those who, through friendship or close business associations, possess an intimacy with the growing great men know their secret. They are convinced that these hundred presidents have applied themselves to the acquisition of knowledge with an earnestness not surpassed by any body of professors. They have been advanced from grade to grade because they have faithfully conned the lessons of the higher grade and have earned their right to promotion.

A little boy in his father's home was standing beside some visitors who were being shown various matters of interest in the house. The party had come to an old Civil War engraving illustrating a military camp of his father's regiment. Some of the soldiers were engaged in various outdoor games, while others were

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playing cards. All of the men shown in the engraving were plainly "off duty."

"Where is your father?" asked one of the visitors of the little boy, who proudly replied, after a moment's hesitation :

"In his tent, of course, studying how to be promoted."

Our hundred presidents, before they became such, learned well the rudiments of their several callings, and more—they learned the duties of the position above them. Do you think that any of these men squirmed easily into their advancing offices? If any of them have roughly brushed their fellows aside to make room for their more rapid progress, that is a personal matter of morals. If they have seized the prizes a little too quickly, to the prejudice of others, they may have committed a moral wrong ; but, mark you ! the hard work of preparation for the increasing responsibility furnished an outfit against which no retarding movement would avail. Nothing could have prevented them from ultimately reaching the goal of their ambitions. Whether or not

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any of these men have come to regard that which they have done as wrong and subsequently striven to right it, so far as the world is concerned they are undeniably great ; and they have achieved their positions of power by means of no magic—other than that of educated work.

Another curious thing which will be noted in a frank discussion by these men is that they will not acknowledge that they have yet finished their education. Select any one at random, and ask him what work he does outside of his business hours. Is it too venturesome to say, in advance, that the one man of the hundred whom you have selected as a test case will act as a spokesman for the entire party without dissent when he says that he is (constantly reading and studying and discussing business.) His mental pores are kept ever open, ready to absorb knowledge of anything pertaining to commerce in general and his own business in particular. He is assured that to go on he must keep constantly in touch with the ever-changing relations between

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his business and the aggregate of all business of a similar kind, so that matters may be adjusted to the better advantage of the particular enterprise which he commands.

Does a man who stays in small affairs engage his mind with such problems? Does the average man do anything tending to attract attention from those higher up? Does the average man try to raise himself above the average ability? No. He remains on the lower rungs of the ladder; and his position is stationary because he is wholly occupied in holding on to his present place.

Clerks in offices, banks, and stores complain that their living expenses are ever increasing while their incomes remain unchanged. What do they do to earn an increased income? If they perform their duties faithfully and well and exhibit themselves to their proprietors as good clerks, good clerks they will remain. Few business men will remove a man from a position which he is filling acceptably for the mere purpose of experimenting

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with him in some other place. Why should they? The clerk who is doing his duty faithfully and well, and nothing more than his duty, will never be arbitrarily removed to the higher office. That might be against the best interests of the proprietor.

Here and there is a man who has his eyes open to the great truth that the possession of knowledge takes a man out of the ordinary and puts him above the average; and he knows that a man must be above the average to rise. Such clerks study how to be promoted.

Proprietors of small business affairs frequently feel that the larger concerns are gradually driving them out of business. It is undoubtedly true that in some cases the development of an industry into a huge corporation tends to narrow the field of the smaller man producing similar goods; but in many cases where the large combinations have endeavoured to crush out the small rival the big ship has unexpectedly struck a snag. The giant has met the thoroughly equipped youth.

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There is in New York a man who manufactures a product ninety per cent. of which is controlled by a trust. This independent, though pressed, will not join the consolidation, and time after time efforts have been made to dislodge him from his trade. He manufactures an article with a brand that has become known among a certain class of people who will accept no substitute. He is alert and vigorous, watching, studying, to counteract a subtle move by the giant corporation. Now the big men realize that, with all their capital, they have met an equal. He has been offered an exalted position and a price for his business over and above its real worth as an income producer, because he is equipped and ready to meet any man they have in the great organization face to face on a level of ability.

When a business man finds himself being crowded by competition, fair or unfair, the hard condition, instead of discouraging him, should operate to stimulate an increase in his brain capital that

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the deficiency in money capital may be completely offset.

Those who look about them with the light of intelligence in their eyes know that the men who are going forward are *students* in their business. Each has his own private university course mapped out from the beginning. Every opportunity to increase his business and reduce the expense of obtaining and despatching it finds him ready to appropriate the advantage. He is always prepared. His knowledge of business and all that pertains to it is acquired by much hard work in fields not bounded by his own purchases and sales.

He becomes known among his business friends generally, and among his competitors particularly, as a man of distinction in his line of business. He is an acknowledged peer. If combinations or consolidations or reorganizations of the industry in which he is engaged be under way, it is recognized that this peer must be consulted. He cannot be left out of account. If he is not treated with due

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consideration, he may completely check-mate the best-planned move. The man *who knows his business* is armour-clad. No power can successfully assail him. When foes call upon him to surrender, he is ready with the famous response to the effect that he "has only begun to fight."

Men fail because they do not know their business. What game is there that a man can play successfully without understanding it? What athletic contest is there that a man can enter with any reasonable hope of success without intense preparation? Open, notorious defeats of this kind are ridiculed. These men should have known better. They ought to have been trained. But it may take years for a man to fail in business. He may be able to conceal his inability for an indefinite period.

Many even land in the bankruptcy court because they have not given proper attention to their information account. Yards upon yards of stenographic reports of examinations of bankrupts form a continuous journal of confessions, proving

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the truth of this thought. Many of these manufacturers honestly believe themselves masters in the art of producing certain articles, but the records are against them. Some weakness, some lack of knowledge, some incorrect information, opened a seam; and, as a natural consequence, the ship sank into deep waters. Sometimes these failures furnished to the unfortunate business men the needed lesson that pointed the way to a better understanding of their business.

What confidence is reposed in a man who inspires us with his business ability even before he performs the act of service contemplated! While we are yet negotiating with him we are influenced by his utterances, for we feel sure that they come straight from the centre of the magic circle of knowledge. This man has been initiated. He knows!

The beauty of this principle of business knowledge is that every man and woman may have it if they will study their business from the bottom up. While few rise to the top, the others are not arbitrarily

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kept down. The key is in the possession of every man and woman. That only a few open the door to the golden treasury is merely another way of saying that only a few have sufficient ambition. All desire it, of course. They want it; but they do not want it or desire it enough.

The man behind the counter or the desk or in command of a business finds little time for reading during business hours. The daily business in hand occupies his time fully, but his opportunities for study of *men* and *facts* are constantly hovering around him during the course of the hour, the day, the year.

One has but to open his intelligence to see the business knowledge ever present, awaiting only his sincere call. Sincerity of purpose will point to the occupation of much of his spare time in reading newspapers, trade and other magazines and books, all carefully selected to meet his particular wants.

What a difference there is in the information gathered from the same sources by different men! In reading, how many of

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us in every thousand extract other than the surface meaning of the things written on the printed page? To a few the message conveyed may be of deep significance. Many acts or spoken words, appearing in the black type before us, carry swiftly to the mind of the searcher information which may have no connection whatever with the article containing the particular acts or words recorded.

The business student, as distinguished from the casual reader, eagerly searches for principles rather than mere facts. Many facts must be memorized, of course, but the master mind will endeavour to solve the underlying principles, feeling sure that once in possession of the understanding of the rules governing matters of business, he will be able to understand any set of facts presented to him. Furthermore, a complete knowledge of principles enables one materially to adjust facts in the making. It would be interesting, if possible, to outline the various sources of information which a man should consult outside of his ordinary

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daily employment, but it will be remembered that our hundred presidents have come to their present educated positions through different routes.

There is no "five-foot library" for the business man. Help can be given by the friend who has studied the principles underlying all business transactions, but each reference library must be selected to fit exactly the requirements of the business student. With the definite object of equipping his mind to more important fields of activity and emoluments, the business man will carefully and deliberately seek to extract the essentials of business by the most economical and practical methods from the unlimited sources at hand.

III

BUSINESS ENERGY

TWO days prior to that on which a large note of his company would fall due the treasurer applied to the bank for a renewal. He was reminded by the cashier that the company had been "carried for some time." The cashier then suggested that serious efforts be made by the treasurer to reduce the amount of money borrowed at the bank. "We are now making arrangements with a capitalist to *energize* our plant, and we expect during the next month to be in a position to take up all of our loans," replied the treasurer.

This treasurer uttered a thought which finds a lodging-place in the minds of many manufacturers. Is it not natural for business men to regard the ability to command capital as the prime requisite to a successful business operation? "Give us plenty of the 'sinews of war,' and we

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will do the rest," they feel like saying, when hampered in their operations, apparently for lack of capital.

Of course all business operations require capital, and in every case sufficient funds must somehow be provided if the operation is to continue. It is not intended to suggest anything contrary to this well-established principle. No one doubts that money will do almost anything, but without trained judgment and experienced management it will run a factory so long only as it can be poured into the treasurer's office. In the process of operating the plant by means of large capital the works may even take on an appearance of being energized ; but when the easy funds have been exhausted, the former dead-and-alive condition inevitably returns.

Absence of real power, executive ability, in an organization cannot be concealed. Even sterling gold cannot be substituted for sterling ability.

What is this real power, this energy ? Go into that factory across the street and

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look about. You will not need to have the answer to the inquiry written in set words and phrases. Interested activity is written on every face seen, from the office boy who meets you at the door to the president who greets you in his private office. The hum of the swiftly moving machinery is but a tame representation of the moving force everywhere manifested. You do not have to be told that business is being successfully conducted in *that* establishment. The president himself appears to you as the incarnation of business. In him you sense the source of a potent force enlivening and enthusing all with whom he comes directly or indirectly in contact. Yet how calm and deliberate are his acts—his directions to those about him! Does this man lean upon money as an energizer? Most assuredly not. *He* can get anything he wants, including sufficient capital for his purposes.

Now go down the street to that other mill and see whether you can detect the difference in the atmosphere between the

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two. Yes, you feel the difference even before you can accustom your mental vision to the lesser light. In place of the attentive office boy, you first see upon entering the office a young woman with a pencil in her mouth trying to operate the telephone with one hand while adjusting her hair with the other. All of the clerks are either absorbed in their work or idly standing about talking. After what seems a long time to you before attention is finally given, you get into the president's room, and there you find your friend at a desk heaped with a confusion of letters and papers of all sizes and shapes, trying to dictate to a stenographer at his side, while two clerks are standing before his desk seeking attention. One of these wants to know whether an order amounting to an insignificantly small sum shall be shipped without more credit information concerning the buyer ; while the other clerk brings a message from the superintendent of the mill to the effect that more coal must soon be obtained or the mill will have to slow down.

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While you are standing there the telephone on the president's desk rings, and his utterances of welcome to you are broken off as he puts his mouth to the transmitter. His remarks indicate that a customer of the company is complaining about some delayed shipment of goods.

Here again you find concentrated, forceful energy, but of what a different quality! This man possesses and shows energy in every inch of him. It sticks out in every word, act, and motion; but from the impressions you receive regarding his assistants, this energy, this force, apparently *exists in him alone*. There is no doubt that he has plenty of it, but the difference between him and your other friend is that this man cannot communicate his force to others. It is bottled up in him! His personal push keeps things moving, but at what cost, what waste of power!

You feel like saying to him: "You human dynamo, how many times during the day do you feel like kicking the whole outfit about you into the street?"

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Hanging about, as they do, dependent upon you, receiving continuously, but giving back no real help, you feel that nobody in the establishment takes any real interest in the work. Nobody tries to take some of the pack off your shoulders."

Does not a comparison of these two men disclose the main secret of successful operation? Is it not true that no one man can carry the whole burden forever on his shoulders? No amount of money will permanently *energize* such a plant.

Unless a manager can awaken in each and all of his assistants a sufficient amount of dynamic force to set them going of themselves, he will always have before him a huge and well-nigh hopeless task. This initiative must come from within. It cannot be hammered in from without. Push and pull as much as we like, we cannot force unwilling human beings into a proper performance of their several functions. While movements produced by them upon application of outside force may give an *appearance* of effective labour, such is merely a surface appear-

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ance. If you examine well the conduct of those who patiently suffer themselves to be pushed and pulled, you will find wasted power in every act, in every thought, in every word.

Employers of men and women know better than any one can tell them that the product of unwilling service cannot be compared with that of willing service. Those who have tried many ways and means fully comprehend that in *energizing* an organization something vastly more important than money must be acquired. Indeed, it is one of the very virtues of a rounded-out and efficient self-moving organization that less money is required, because less useless money is passed through the hopper and lost in wasted energy.

It is very hard to describe the *esprit de corps* of a military company in action, yet the presence of this unified spirit is so obvious that we see it in the very expression on the faces of the men. Men experienced in handling bodies or companies or societies of men and women

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know that the ability to impart to others the impulse to be useful is the most valuable asset the executive head of any organization can possess. When he succeeds in getting everybody all the way down the line pushing and pulling together, he has accomplished the one great essential thing.

Business ought not to be a source of worryment, a continual hourly harassment, a lifelong burden and care. If it is performed properly and easily, it ought to be a source of pleasure to the man engaged in its daily acts. Much of this real pleasure is missed by those who are unable to surround themselves with willing assistants.

Some of our friends will say that all this sounds very delightful, and that they would enjoy it very much if business could be carried on in that way—the way we suggest—but it is absolutely impracticable because we cannot get the kind of men described as necessary for our assistants. In reply, we are led to ask our friends whether they have ever really tried

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to readjust the various duties that must be performed by some one.

It may be that lying dormant in the people about us there is just the ability needed. Let us study the men and women in our employ carefully and sincerely with but one-tenth of the concentration applied in the effort to understand our customers. The needed faculties may all be there, undiscovered, because unsearched for. In the heart of every one of them, from our brother officers down to the porter, there is, or surely ought to be, in existence a germ of a desire to perform useful work for you. It may lie buried too deeply to show on the surface; but, depend upon it, somewhere in pretty nearly every human being is the seed of use, perhaps awaiting only a touch to begin an active development.

It does not necessarily follow that the best service which those about us can render is the best of the particular kind that we require. Where hundreds of misfits in life are recorded among the notables, many thousands exist unknown among

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the common people. Roughly classed into "labourers," "mechanics," "clerks," "professional men," and "bankers," there may be thrown people who exist in those groups without possessing an adequate understanding of the nature of their real calling, or why they are there. If this is true generally, it may be particularly true of our plant. Consequently many adjustments may have to be made in the men and women connected with our concern before we can get the machine properly "geared up." We may have to take and give more or less severe doses of physic; but be assured that even heroic measures, if found necessary, will be worth while.

The human body is an organization, a machine. The head may retain full possession of its faculties—in other words, remain thoroughly alive—after the entire body is paralyzed. How earnestly such a man desires to get his arms and legs working—to be alive all over and in every part! What a difference there is between a completely alive business organization and a partially paralyzed one!

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When men leave their homes in the morning and go to their business, they find themselves in surroundings so different, and sometimes so much less enjoyable, that they grow in time to think of business as an abstract thing, separate and apart from their home life, their real life. Some even distinguish business from the men engaged in conducting it. Can we separate an act from the actor so that the act may perform itself? If it were possible to accomplish such a feat of legerdemain, we might by another turn of the wrist construct a species of business that would run alone, that would continue to operate without the supposedly necessary dynamic force. But the idea that business is anything different from what our thoughts, words, and actions make it would not, after due thought, be received seriously by many.

The intimate relation between life and business seems to lead us to a consideration and conviction that the right thing to do with our business is to *energize the people connected with it.*

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Perhaps it may have appeared from these simple suggestions that the arousing of the dormant energy in our organization is not a hard thing to do. It *is* hard in the sense that it is always hard to break up settled habits. It *is* hard to make up our minds to do something different from that to which we are daily accustomed. It *is* hard because we hate even to consider the *giving up of control*; but when our resolution is once firmly fixed, perhaps the major portion of our particular problem is already solved.

It is suggested that one of the practical things to do in the beginning is to arrange that all possible details, now binding our hands and feet like shackles, be delegated to our assistants. It seems necessary to do this in the beginning in order that we may find time to perfect our more elaborate plans; but at once fears arise that no one can be found in the organization who can attend to these details in the efficient way in which we have been accustomed to handle them. Immediately pictures of hundreds of disastrous situa-

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tions flash before the mind as the president sees the amateurish bungling by others of those details so familiar to him. It is hard to contemplate the mistakes that inevitably follow the shifting of responsibility to another's shoulders.

Unless we can look beyond the immediate consequences of those possible errors and see in the loss a larger gain, it will not be easy for us to favour any slackening of our attention of the smaller matters, the daily aggregate of which drives us like slaves. On the other hand, if we can catch a glimpse of the larger opportunities afforded by a fully organized energy, we may become convinced that nothing should prevent us from making a beginning, from inaugurating earnest effort to get everybody, from top to bottom, pushing and pulling together.

IV

BUSINESS RELIABILITY

AS he was about to leave the court-house a message was handed to a young attorney requesting his presence in the office of a well-known financier. He went there at once.

"Mr. A——," said the financier, "how would you like to become vice-president and attorney for the B—— Manufacturing Company?"

"Any association with you, sir, would be a pleasure," replied the young lawyer without hesitation.

The financier explained: "My associates tell me that you have a good knowledge of business and accounts, as well as ability as a lawyer; and, more important still, you are thoroughly reliable. We want you to take charge of the office affairs of the company, consult-

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ing, of course, with the company's general counsel in any legal matters of importance. The salary is \$5,000 per year. Will you take it?"

"When do I begin work?" laconically replied the young man.

A few other details were arranged, and he went home, hardly daring to believe in his "good luck" until he had actually begun his duties in the office of the B—— Company.

Does this story sound like romance? Let me assure you that it is based upon a real occurrence which happened only recently.

Do not think this an isolated case. There are to-day many financial institutions and industrial plants whose elderly presidents desire to be relieved from their responsibilities so soon as suitable young men can be found for their offices. Thus, emerging from the rank and file of business and professional struggles, many candidates for higher honours are, without their own knowledge, closely scrutinized for evidences of presidential timber.

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Look at the history of any one of a number of the young men who have recently been "brought out" as presidents of large corporations. Does not our curiosity become stimulated into hopeful endeavour? Few of these men have been required to mount round after round of the ladder they began to climb. Many of them, through exhibition of extra ability, have been suddenly transplanted from the occupations in which their training was acquired to the heads of the corporations which they have been called upon to lead.

Another capitalist said to a friend the other day: "Do you know that the hardest part of my work consists in securing brainy assistants. I tell you that I have enough undeveloped matters in my office to employ twenty bright men, but I can't find them."

If the younger men engaged in business or professions could only realize the extent to which they are needed and are being watched by the prominent men in the community, with what care they

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would attend to their daily business transactions !

EVERY BUSINESS ENGAGEMENT SHOULD BE FAITHFULLY KEPT

No one habit is harder to form than the prompt keeping of business engagements. If a business man has an appointment with another, nothing should be allowed to prevent a punctual appearance at the time and place fixed for the meeting. When unavoidable accidents prevent, nothing short of immediate and full explanation and apology will remove the unsatisfactory impression created by the broken engagement.

This habit of "being there on time" is especially important when the engagement is between a young business man and a man of affairs ; for this meeting, unknowingly to the young man, may have been arranged by the elder man as a test of character. He may consider the failure to arrive as an evidence of deficiency in reliability. Once disappointed, it is hard to overcome the distrust, un-

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duly magnified by so slight an occurrence perhaps, but still firm enough to resist dislodgment.

FAILURE TO DELIVER GOODS WHEN PROMISED

Another form of broken engagements frequently retards the career of a business man. How exasperating to have a manufacturer or merchant fail in his promise to deliver merchandise at the specified time, thus upsetting our entire calculations in planned events! How hardly do we in future give him our entire confidence!

Many young men do not fully comprehend the slow process of character-building. One dishonoured promise may, unless clearly excusable, knock down at a blow the structure which has taken years to erect. If they could but see how much easier it is to destroy than to create reputations for reliability, every man would give as constant heed to the exact performance of each and every verbal contract or engagement as most men do to

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those which can be enforced against them in law.

With what admiration we all contemplate the man whose "word is as good as his bond." When such a man speaks, our pencils fly quickly back into our pockets. We have no need for a signed memorandum of the transaction. If he says, "I will take it," or "You may count on me," you know that when the time arrives for him to "make good" he will be ready for you. Did this enviable reputation attach itself to him in one notorious occurrence? Not so easily do men yield up their business confidence. Reputations for the possession of many other traits of character may be quickly earned by the willing or foisted upon the unwilling man, but the reputation for reliability is of slow growth. You may be sure that he who possesses this valuable treasure has nurtured and guarded it carefully from youth up. Its possession inspires the confidence of all those who have experienced business contact with its possessor. They do not have to watch him!

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DEPENDABLE MERCHANDISE

Goods manufactured or sold by the man of reliability may be depended upon to turn out in the exact quality, size, or weight as marked on the outside of the package. Advertisements of such men are read in the belief that the goods may be purchased in faith that what is said about them is the truth. If we go into the store of a reliable merchant and meet with some seeming trickery on the part of his clerks, we know that we have but to get the ear of the proprietor to have the wrong set right; and he will thank us for calling attention to the error. Sometimes our unfortunate experiences in dealing with the very large stores lead us to believe that the proprietors are indifferent to this quality. If we remember that the growth of a business may become so rapid as to outstride its organization, we know that the fault lies in the limit of human capacity for personal supervision of all details by the proprietor. In but few of such cases the owner himself strives to win your confidence, although

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he may not, as yet, have been successful in training his clerks.

REPRESENTATIVES OF RELIABLE BUSINESS MEN

With what assurance does the attorney, clerk, salesman, or agent of a man whose reputation for reliability is established go forth to represent his principal! What a difference between his view of business transactions and that of the representative of a man upon whom dependence cannot be placed! Far away from the proprietor of the business as he may go, the representative of the reliable man knows what to do in any question involving right or wrong. By those unwritten, but none the less binding, instructions he knows that his chief would have him decide the matter in accordance with right principles. His path is much smoother than that of the representative who never knows what his principal will do in any given question. How much easier to learn and be guided by simple rules es-

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tablishing reliability than to attempt to follow the intricate paths of chicanery !

REPUTATION AT BANK

Methods of business to-day are such that it is difficult for any business man to avoid borrowing money, either directly from a bank or by means of "merchandise" notes. Most men attend to such obligations when due, even though extensions of time must be asked, but too many business men are careless in this respect. In numerous banks on any given day, if you could look over the bank examiner's shoulder, you would find several overdue notes classified as "dishonoured paper," which have been neglected through mere carelessness. In many cases the makers of the notes will go to the bank in a day or two and either pay the full amount thereof or effect renewals. In cases of pure neglect the bank sustains no loss, but the business man who does not attend promptly to such matters suffers a severe loss—a loss of reputation for reliability. When any

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man finds that he will not be able to pay his note in full, he should go to the bank several days before the note becomes due and explain his position frankly. If believed, and entitled to a renewal with or without a payment on account, he will obtain the accommodation. In any event, by giving the matter his prompt attention his reputation as a man who will do his best will remain untarnished.

MERCANTILE CREDIT BASED LARGELY UPON RELIABLE HABITS

Besides the mere statements of a man's net worth, important consideration is often given by mercantile agencies to his business reputation for reliability. Three extracts from reports of men each conducting a business of moderate dimensions may be interesting as examples illustrating this thought. In each of these three cases the financial strength or net worth taken by itself would not entitle him to the good rating given.

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- A—"The opinion is expressed by those knowing him that he would not be liable to contract any personal indebtedness which he did not see his way clear to meet at maturity."
- B—"Our relations with him have been such that we are not familiar with his affairs in detail, but we believe him to be a reliable man."
- C—"Among the trade he stands well, and his bank speaks well of him. He can be relied on to do what he promises."

Who would think that the hard-headed sleuths of a mercantile agency would deem these things worthy of report! Yet those familiar with "credits" know the intrinsic value of business reliability and gladly welcome reports including observations of that nature.

CONTRACTORS' PECULIAR TEMPTATIONS

When a customer can see and handle a definite article, he can protect himself in a measure from deceit, but in any form of business involving construction to be performed after the contract is made the

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buyer must rely more or less upon the contractors' reliability. Special opportunities for taking advantage of the buyer's ignorance leads many contractors to indulge in "tricks of the trade," which may often be carried through without the practice of "legal" fraud. Many things arise in the course of a building operation easily interpretable and chargeable as *extras* by a sharp contractor to which a reliable man would attend without question as coming within the spirit, if not the letter, of the terms of the contract.

To a decorating contractor came an applicant for the position of foreman. "I will guarantee that you will get 'extras' amounting to at least twenty per cent. more than your contracts on any job I have charge of," said he. The contractor, without hesitation, said: "You are just the man I am *not* looking for. This is a reliable firm."

Go back to the man who taught you that, foreman, and compare his business, from all angles, with that of the firm who rejected you.

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ALLOWING USE OF HIS NAME BY OTHERS

Business men who jealously guard their reputations in their own affairs too often slacken their watchfulness when their names are used in connection with promotions. One of the most flagrant corporation swindles practiced in recent years was made possible by prominent business men who allowed their names to be used as directors of the company. Known to be reliable, the public thought the company with which they were connected *must* be reliable. Not one of these directors made a dollar in the swindle, but their reputations for reliability rightly suffered among the thousands of those who lost their savings.

Another picture comes to mind in which I see an entirely different type of director. He sits on the boards of half a dozen large financial institutions, in not one of which does any other director assume that this man will "go along" without having the matter fully explained, nor unless it meets with his approval. He is no "man's man." In all of his

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affairs, private or public, he can be trusted to do all that he says, or leads people to believe, he will do.

“GOOD WILL”

What a capital building power is reliability! The reliable business man is secretly accumulating property, other than the dollars shown on his books, which can some day be turned into money. This hidden capital is called “good will,” and it is well worth working for.

“Good will” in a successful business has a much more tangible value than is commonly realized. When a man sells his business, he expects to be paid well for this asset, although it is not shown in the inventory, yet many scarcely think of the means by which it is created. “Good will” is acquired only by those who patiently, day by day, adhere to simple business principles, one of which was so well expressed by a successful manufacturer who was asked for a definition of reliability: “When a man does what he agrees to—that’s reliability!”

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STUDYING RELIABLE MEN

A manufacturer who has risen rapidly into a position of national importance was once asked, "How did you acquire a knowledge of the business so quickly?" His answer was short and to the point, "I didn't study the *business*, I studied its president." This answer, intended to be partly humorous, contained a germ of serious instruction. Knowledge of the business itself must be carefully acquired by any one who would advance, but that is not all. To the men at the head of the business we should go to learn of basic business qualities. As we study them we can scarcely fail to observe that of the many priceless possessions of our great business men none is regarded more highly than the unpurchasable reputation for reliability.

V

BUSINESS ECONOMY

DRIVING along the main street of a small city in which he lived, a retired sugar magnate suddenly stopped his horse, handed the reins to a friend who sat beside him, jumped to the ground, and picked up a new red brick which he placed in his carriage. He then resumed his seat and drove on.

"What are you going to do with that brick?" asked his friend.

"Take it home and add it to my pile for repairs when needed," replied the sugar magnate.

He explained further that it had been his habit for years to pick up good, serviceable bricks, either thrown away or dropped carelessly on the street; that during the course of a year the accumulated bricks saved him considerable outlay in repairs to the various properties owned by him.

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“ Besides, I hate to see any good material wasted,” said he.

This incident aptly illustrates the saving tendency of the older business men as contrasted with many wasteful habits of the younger men. It is very rarely that we see a young business man preserve pieces of wrapping paper, nails, or twine received on packages during the course of business. The prevailing spirit seems to induce the thought that the preservation of such small incidental materials consumes time entirely out of proportion to the value of the thing saved ; but, like all general rules, it is carried too far by many young men who perhaps could not employ their time to better advantage than in saving good, though minor, materials which would otherwise be lost.

TIME SAVING VS. MATERIALS SAVING

It is quite likely that the man who originated the thought that he could not afford to spend time on such matters found the principle correct as applied to himself ; but, like all principles catering to

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indifference regarding details, the idea is too readily adopted by many young men who can ill afford its practice.

The maxim, "Penny wise, pound foolish," has been misunderstood, to the undoing of many brilliant young men. But aside from the mere question of the actual value involved in any specific incident of saving, the inculcation in the minds of all business men of the principles of economy as applied to all of their business acts is of extreme importance.

Young men are too ready to adopt what may be termed the vices of rich men ignoring the basic qualities upon which those men built success. When a man arrives at a state of affluence, he may readily, and without any appreciable loss, discard some of his economic principles as applied to minor details; but it may be noted with advantage that the men who are now in positions of prominence are thoroughly imbued with the spirit of economy, which they constantly practice, although there may be a sloughing off as to some of the minor details.

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Unfortunately, the exceptional incidents showing the neglect of smaller matters are taken by the young business man as evidences that all small savings may be disregarded.

Care is much harder to cultivate than carelessness, which, if not checked in time, crystallizes indifference to small economies all the way through business transactions. Many men possessing genius and push, who would otherwise be successful, through wasteful habits fail to gain the recognition to which they think they are entitled.

ECONOMY NOT NECESSARILY FRUGALITY

We have heard many tales of the almost miserly habits of some of our wealthy men. Such should not be selected as examples for study. The wealthy sugar magnate referred to in the incident of the brick was a very liberal spender of money in the comforts of his home and of his family. The idea is, not that a man must be stingy or miserly, but that he should not *allow anything to*

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be wasted which can, with a reasonable exercise of effort, be saved. Parsimony is mean and sordid ; economy is admirable.

SAVING CONSIDERED AS PROFIT ON INVESTMENT

That the general tendency among young men in business is against, rather than towards, saving is shown in the life insurance statistics, wherein it is startlingly set forth that the man who does not acquire *the habit of putting some of his income away until he has reached the age of forty can rarely hope successfully to cultivate economical habits after that date.* What I wish to emphasize here is not merely the desirability of cultivating the thrifty habit in itself, but rather that the economical spirit as evidenced in small things permeates the entire business career of a man, often marking the successful man as distinguished from the failure.

Another illustration of the thought carried into smaller things is furnished in the example set by the president of a large

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national bank in Philadelphia who was sitting beside a young friend in a street car one day when the conductor came through to collect the fares. The young man handed out a five-cent piece, while the bank man carefully reached into an inner pocket and produced a ticket which he had purchased at the rate of six for twenty-five cents. As a gentle reproof to his young friend the bank man said:

“I buy these tickets because I do not know of any better-paying safe investment. I make twenty per cent. on my investment of a quarter of a dollar.”

The judgment evidenced by the president in this small matter is indicative of a fixed quality in the type of men who get along in business. Ripe judgment in important matters does not spring instantaneously into the mind. It must have humble beginnings and grow to maturity. The young man, to acquire fitness, must keep the critical eye of economy ever open, and never at any stage of progress allow it to become dulled. The men who have gained prominence

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in the industrial world study matters of economy very earnestly. They thoroughly understand the importance of exercising keen judgment in the use of materials and labour, in the expenses of selling merchandise and conducting the office, and last, but not least, in disposing of their own time.

Perhaps one of the most noticeable forms of waste of time is seen in the routine employment and payment of the wages of employees. Lack of intelligent direction evidenced here, as compared with the careful estimate and inquiry concerning the purchase of machinery equipment, is startling. When machines are needed, every effort is made to obtain the tool exactly adapted to the purpose for which it is intended. When installed, it is watched with care, cleaned, oiled, and repaired with the conscious purpose of prolonging its life and usefulness.

With few exceptions, the money annually expended in the purchase of machinery in the aggregate constitutes a mere bagatelle compared with the annual

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pay-roll. Yet men are too often treated as a mass, while the machines receive special individual care. And how few employees are selected with regard to their special fitness for the jobs for which they are employed! What a vast amount of power is lost through carelessness in this respect!

UNECONOMICAL CLERKS

Let us look around the office or store and cast the critical eye of economy over the clerks. Where can we go to find better examples of unintelligently wasteful performance than in our bookkeepers? The inheritance of ages has fixed upon most bookkeepers unnecessary and wasteful habits which retard, instead of help, the business.

A credit insurance man, discussing with the proprietor of a mill the advantage of the protection afforded by his company, in order to ascertain the amount of premium on a proposed policy, asked the proprietor, "How much have your losses amounted to through bad debts during the

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past five years?" The mill owner called his bookkeeper, to whom the question was repeated. He replied to the effect that it would take him some time to ascertain the amount, and he could not tell just how long it would take. He was set to work on the problem, and consumed a week in digging out the figures, which, if they had been intelligently placed on the books originally, would have been accessible with the expenditure of a few minutes only. Perhaps this seems an exaggerated case. If so, let any merchant or manufacturer who has not given considerable study to the bookkeeping of his office, test the condition of his own books by asking for some information of a vital nature and noting the time required by the bookkeeper to furnish the facts. There are exceptional offices where such matters have been economically planned; but I venture to say that many readers of this article will, if they try the experiment sincerely, find in their offices practical illustrations of the need for more economy.

The manager of a large office told me

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the other day that he was considering the organization of a school for his clerks in which efforts would be made to *teach them to think*. "I realize," said he, "that an immense amount of time could be saved if I could get my clerks actually to think about what they are doing and why they are doing it; whether what they are doing is necessary and whether their time can be better employed." The stimulation of the initial mental process in subordinates is one of the hardest problems of a business man. Like machines, the human body can be adapted to the performance of almost any regularly repeated motion. Such exercises of the muscles are spoken of as mechanical performances, many of them being learned so well that thought seems unnecessary. But men are different from machines in that with thought they will make fewer mistakes; without thought they may commit costly errors.

FACTORY WASTE

A visit to the average manufacturing plant will fill one with the same sense of

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wasteful performance that he sees in the office. The eye of the master studying economy in the resources at his command will flash searching glances now here, now there, in the effort to discover wasteful effort that may be eliminated.

At one side of the elevator near the doorway in a large loom manufacturing plant stood a dray from which were being unloaded materials to be conveyed by the elevator to the floor above. Just beyond this truck two other drays stood idly awaiting their turn. "Why not knock out another door at the other side of the elevator and get those teams busy?" was suggested. The answer is typical of the result of crystallized custom: "We never thought of that," which, being interpreted into other language more significant, means, "We have never brought the economical eye to bear upon that situation." This is only one illustration of thousands of opportunities for saving waste in time and material which constantly press closely around and upon the

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business man, who has but to open his critical eye to observe them.

A wealthy meat-packer said only recently that the profits in his beef business consist entirely in what he is able to save in materials formerly wasted. The small butcher throws away what the large butcher turns into money. The means employed by the latter could not be adopted by all small butchers, but the thought that waste may be eliminated and savings effected through intelligent study of materials such as are neglected by others is good enough for universal application.

In some lines of business high-priced chemists and engineers are employed for the specific purpose of finding cheaper substitutes for more costly materials, and devising more economical processes.

MANY OPPORTUNITIES FOR EXERCISING ECONOMY

An illustration of the economy that can be effected by the rearrangement of machinery is furnished in an incident which

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occurred in a mill where long strips of cloth were required to be sewn in "tripleply," the methods involving several different stitching processes, performed separately, one after the other, on different machines by different operators. A bright young foreman rearranged these stitching machines in tandem form so that the three operations can now be performed at the same time on the same cloth and a much larger amount of manufactured goods made immediately possible. The president of the company expressed his enthusiasm in the following words :

"I'll tell you that was a grand good thing! Each of the ninety girls in that room now takes home with her more money every week ; but the best part of it is, she leaves us a much larger profit than we had before—so we are all happy."

EMPLOYERS HAVE NO RIGHT TO EX-
PECT BEST SERVICE WITHOUT
PAYING FOR IT

What does the average business man
do to extract the greatest amount of use-

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ful labour from his employees? Human beings are very much alike, so far as basic principles are concerned, in whatever station of life they may be placed. Let us take our own feelings, for instance. Are we conducting business purely as philanthropists? Or do we conduct our business or occupation largely in the hope or expectation of gain? How hard would we labour if the emolument derived would constitute but a mere living wage? Would we work ten, twelve, or eighteen hours a day at our business if we could extract no more than bread and butter from it? The broad-minded business man can see that a *greater amount of profit* can be derived from intelligently directed and interested human machines than can from any system in which a group of human beings is considered merely as a mass.

The idea of practical economy makes it necessary that there should be no waste in the acts of any employees. The greatest amount of service possible to extract should be obtained from the labourer. By

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putting him in a position wherein he can measure the value of his interested services in definite terms of money he will not only create a larger wage for himself but he will at the same time work a corresponding increase in the revenue to the manufacturer. This is not merely theoretical sociology. It is practical business economy.

Believe me, these essentials of business character are possessed by living men who have demonstrated that they are workable, practical principles.

VI

SYSTEM IN BUSINESS

AS organization consists of men, system consists of ways and means. A perfect organization is one in which the men fully possess the qualities which I have attempted to describe in the preceding chapters. Organization and system run all the way through every business story, and they sometimes appear inseparable. In the first chapter somewhat more emphasis was placed upon organization. Now let us look into the matter of system a little more.

Many men think that business systems consist of statements, books and blank forms. From such we hear a good deal about "cost systems," "filing systems," "loose-leaf systems," and other terms indicating things purely external as compared with the more vital matters of business. The real conception of *system* exists in the idea of organized effort.

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When men gather together for the accomplishment of any purpose, they know that unless they proceed in an orderly, systematic way, the fruit of their endeavours will be dissipated. For this reason the assembly is organized into a coherent body, and rules are adopted to promote the effectiveness of its objects.

BUSINESS CANNOT EXIST WITHOUT SYSTEM

A business body can no more exist without a system than can any other group of separate individuals. Each and every business concern, whether owned by an individual, partnership or corporation, must without question be conducted under some sort of system. Most successful men carefully arrange every detail of their business so that each act will take its place in the prepared plan. In such an organization every pound of energy is expended in furthering the objects of its existence. No labour is misdirected. The president, the foreman, the salesman, the mechanic, all work in

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harmony towards the goal of successful enterprise. All of the numerous and intricate parts of the business machine appear in their proper places, and all of those parts perform the functions for which, by training and ability, they are best fitted.

In perfecting the organization every individual connected therewith is intelligently placed where his services will best aid the operation of the whole business.

System, if rightly understood, becomes of much greater interest as a study when the debased use of the term is discarded. Let us first think of system as *economically regulated force*; after this has been adapted to our plant, matters of books and accounts may be easily handled.

Every human being is an example of system, or organized energy. The human body has been created through a divinely organized system. To obtain from the body the greatest amount of work and happiness it must be kept clean and healthy. While it may become important at the proper time to discuss various kinds of clothing and conveniences, these

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are details of small consequence compared with knowledge of the functions of the perfect human body, its powers, necessities and limitations.

EXAMINE THE ADMINISTRATION METHODS FIRST, THEN THE RECORDS

How to best direct human activity, is the important thing to know. Any time spent in a study of minor matters to the neglect of the main principles of human life and energy seems foolish, indeed, to the intelligent. Just as ridiculous is the concentration of the mind on mere questions of size, number, kinds and colour of books, papers and forms, to the neglect of the main principles of business organization. This view of the subject of system readily leads one into the belief that the first study should be, not how a purchase should be recorded so much as to *whether the purchase is necessary*, and, if so, whether wisely purchased. A serious consideration should be given, not so much as to how the time of a labourer should be recorded as to how *that time*

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may be made most productive. The study of how an order should be entered on the books is not as serious as the study of *how to get the order.* The method by which a charge for a consummated sale should be recorded is not so important as it is *to obtain a fair price and convert the charge into cash.* These are but a few examples of the vital matters of system, compared with which bookkeeping methods in themselves, while important, are secondary.

All records of a business are important and should be plain, clear and accurate ; but the accounts are but footprints of the living transactions which should form the first object of systematic efforts. If the business is intelligently directed its progress will be reflected in swift, straight footprints. From an analysis of the records already made we can extract much useful information regarding errors made in the past, which may be of material aid in correcting future steps, but the point that I want to bring out clearly is that the first study of a business man should be con-

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templated *acts*, not the *records* of those acts.

We do not look for energy in forms, books or statements. It is not there! Energy exists in the man whose acts are told in those forms. System harnesses the energy into effective effort.

AVERAGE ABILITY NOT ENOUGH

Among a thousand manufacturers there are a certain number who are just barely making a living. We may say that the men in this class are of average ability. Those below the average ability ultimately fail, while those possessing more than the average ability inevitably move above the average condition into varying degrees of prosperity. An analysis of the ability of a manufacturer shows that it is three-fold:

- (a) He must know how to economically manufacture salable goods ;
- (b) He must know how to sell those goods for a fair price ;
- (c) He must know how to convert his sales into cash with the least expense and loss.

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If a manufacturer possesses these three attributes to an extent sufficient to raise him above the average manufacturer, he cannot fail. It is very rare, however, that these three necessary subdivisions of ability exist in one man. Some men have extraordinary ability in one of these factory essentials, being deficient to a more or less extent in the others. Any falling below of the average ability in any one of the three attributes tends to pull the higher faculty down to the level of the average. If the sum of the three abilities forms a total above the average of the men in his line of business, the manufacturer will be more or less successful ; but to attain assured permanent success, *each* of these three essentials must be above the *average* of his competitors.

SYSTEM RIGHTLY UNDERSTOOD AN IMPORTANT STUDY

It seems to me that manufacturers can find no more useful or productive subject for study than the ability or debility in their own business organizations. Fortu-

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nately, it is not necessary or even advisable that one man should alone possess all of the various kinds of force and energy needed in a successful manufacturing plant. In fact, the producing, selling and financing departments of a business have become so highly specialized that each will fully occupy the attention of one good man. After having determined in just what department the organization is deficient, the first great step is taken.

Any physician will tell you that it is often harder to diagnose a case than to treat it after he once knows just what the trouble is. The same principle applies to business organization. When the handicapping disability is discovered it is comparatively easy to remove it. Many of the successful manufacturers to-day recognize this principle to the extent that they devote much of their time in perfecting their organizations. In doing this they realize that the most important work for them to undertake consists, not in efforts to perform particular duties

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connected with the manufacturing, selling, or financial ends of the business ; for these specialized occupations they employ specialized assistants. The executive head of the business finds his time is much more profitably employed in the general direction of his organization rather than in the execution of any of its necessary details. His efforts will be largely directed towards securing the best men available for the performance of the different necessary functions of the business.

WHAT AN EXECUTIVE HEAD OF A BUSINESS WANTS TO KNOW

Such a man will not care whether his cost sheets are on pink or white paper, or what size, style or quality is used. What he will want to inquire is : "*Are the records of the costs of my factory absolutely accurate ?*" "*Do the cost figures as shown to me represent actual facts ?*" "*Do they include all of the elements entering into the cost of operating this factory ?*" "*Can I rely upon figures given*

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to me as the cost per pound, per piece, per yard, in such a way that I may shape my policies upon those figures?" Such a man will require the business accounts to be beyond question, and he will find a man upon whom he can depend to produce correct statistics.

He will also have associated with him men on whom he can depend to see that the product of the plant is made and distributed to the best advantage. Such an executive will not be content with any deficiency in the financial part of his organization. He will want to have a man who will study curtailment of expenses, reduction of losses, and promote efficient methods in all matters wherein expenditures or collections of money are involved.

DEMAND ACCURACY AND ACCESSIBILITY OF BUSINESS FACTS

The executive will demand that all things contributing to the successful operation of each and all departments be obtained and put into practice. He will

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demand that proper accounts be kept of everything pertaining to the business and that those accounts be intelligently planned to quickly yield information necessary to the successful conduct of the business. He will call into consultation recognized experts whose experience can be of benefit to the organization. Any ideas that such experts may offer regarding improvements in existing conditions and in the ways of doing things will be gladly welcomed, nay, eagerly sought.

VII

FINANCIAL ABILITY IN BUSINESS

MANY shades of meaning may be given to this subject, but the sense in which I am using it is limited to that financial ability in a business organization which necessarily includes a working knowledge of banking, collections, granting and obtaining credit ; all forming a part of the forethought to look ahead and plan to make both ends meet when and where necessary.

The threefold ability of a successful manufacturing organization will be remembered—producing, selling and financing.

In the following, it has been the intention to open for discussion some phases of the financial work connected with the running of a business.

Let us assume, for the purpose of this discussion, that the man in our organization who attends to the money matters is

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called the Treasurer, and that he has come into our executive office for a little friendly chat regarding his duties. We will put a few kindly inquiries to him and carefully note the answers.

EXECUTIVE HEAD TO TREASURER

- 1st. Have you any idea of the number of different concerns from whom we have withheld credit during the past year? What is the approximate amount in dollars of such?
- 2d. Do you know how many similar cases in prior years have subsequently proved to be mistakes? What efforts have we made to correct these past errors and guard against present blunders in credit?
- 3d. How many cases of credit allowed by us during the past five years have proved unworthy? Why were these cases not ascertained to be bad before the goods were actually shipped?
- 4th. What is the relation between volume of sales and amount of outstanding accounts receivable? What should the amount be if collections are properly made, having regard to our terms of credit?

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- 5th. Is it possible to alter our terms of credit to our advantage in any way?
- 6th. How many customers have we lost by stereotyped dunning and what effort has been made to win them back?
- 7th. Are you working in harmony with or in antagonism to the Sales Department?
- 8th. What is the amount of our loans from banks as compared with sales?
- 9th. What is the amount of our materials, partly finished and finished stock, as compared with our Accounts Receivable? Accounts Payable and Loans? If unfavourable, what are we doing to improve the ratio?
- 10th. Is our Purchasing Department obtaining the best terms possible from our creditors? What methods do you use to verify this?
- 11th. Is it possible to improve our relations with the banks? Have our banks been deliberately chosen, or has the connection been formed by mere drifting?
- 12th. Are we using our cash balance to the best advantage?

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- 13th. Are our bookkeeping methods economical and effective in producing the right information when we want it?
- 14th. Is the amount of our insurance of all kinds exactly calculated, properly and most economically placed? What study has been made of this expense?
- 15th. Are our branches and subsidiary organizations on the proper and most economical financial basis?
- 16th. Have we any secret or hidden reserves not shown on our books? If so, in what way can they be made available if needed?
- 17th. What is our credit standing as compared with the showing on our books? Have you taken steps to see that we are reported by mercantile agencies correctly?
- 18th. Do you watch the character and quantity of our purchases to help avoid unnecessary piling up of raw materials or stock?
- 19th. Do you merely guard the dollars already in our treasury, or do you help increase the amount by such savings as can be effected by financial ability?

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20th. Do you scrutinize the details of our general expenses to find items that may be eliminated or reduced ?

While the financial man may not know much about producing or selling, he should be sufficiently familiar with the general operation of the business, its needs and resources, to be able to fill the position of ready but conservative manager of the working capital of the business.

At first sight it might appear that a corporation fortunate enough to possess a large balance in bank, with no pressing payments to meet, would have very little need for the exercise of financial talent ; but even in such a case the purchasing agent may quite naturally buy more material and supplies than is actually necessary ; collections may become slow, and, unless orders are booked ahead of production, the manufactured stock may pile up.

All of these and other conditions may easily arise unless some man in the or-

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ganization makes it his business to watch this tying-up of capital, and consequent possibility of loss.

SCOPE OF TREASURER'S OFFICE

Too often the treasurer occupies the position of a clerk, a superior clerk it is true, but still a methodical clerk; one whose conscience is clear so long as he is obliged to pay out nothing except on approved vouchers.

Shall we criticize him for his failure to grasp the possibilities of his office? In perhaps a few instances such criticisms may be merited; but many treasurers regard themselves, and are regarded, simply as custodians of the funds of the corporation; and the opportunities to save money by seeing to it that the capital in each and every particular is properly used are either left to others or neglected.

GRANTING CREDIT TO CUSTOMERS

Every salesman knows how easy it is to sell goods to eager buyers. It should

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be added that buyers who do not intend to pay for their purchases are *always* eager. While this class is a hard one with which to deal, another difficult group or class of buyers consists of those who can be persuaded to give orders to the salesmen for merchandise for which they intend to, but cannot pay.

Allowing credit may often be only a clerk's job ; but in many cases the granting or withholding credit at the right time is a matter calling for a very keen kind of ability.

Human nature is composed of so many fine qualities, including natural goodness, that it is always very distasteful to a business man to be obliged to refuse to sell goods to a customer.

Whether the buyer proposes to purchase a tin of meat or a year's supply of steel, it is in our hearts to let him have the things he wants.

CREDIT MAN COLD-BLOODED

The regulation credit man, on the other hand, believes that to properly fulfill the

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duties of his position he must pass upon the credit standing of the buyer in a purely cold-blooded way.

He has been taught to believe this by and through the artificial system of which he is the natural product. This system has caused the taking of the matter of granting credit largely out of the hands of the proprietors of the business and placing it in the hands of highly specialized clerks who must, as a rule, very quickly exercise what judgment they have upon facts placed before them. In but comparatively few cases does the credit man come into personal contact with the customer. Everything that can be learned about the party, and the information is usually very meagre, appears on paper. Perhaps in many lines of business, where an immense number of small accounts form the volume, no other proper way can be devised to obtain and analyze credit information than is now in use among trained credit men; but there is large room for improvement in credit methods, especially where the product is

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sold to other manufacturers, wholesale merchants or large retailers.

ROUTINE OFFICIALS

We must not blame the credit man for being a part of the arbitrary credit system. He is only one of a vast number of officials of greater or less magnitude who now are working on *record* all day. Several credit men of my acquaintance are bigger than their nominal positions; but many others are merely routine clerks on whom the higher officials have mistakenly thrown their shirked duties.

If the financial man would see the possibilities of making money for the business in his own department as I see them, he would feel that his office forms one of *the* important departments of the business.

To those who have had any practice in bankruptcy cases, either as lawyers or accountants, there stands out in a clear light all the weakness of the ordinary routine credit system. To such it seems to be very evident that the fraudulent failure is easy to perpetrate. A dishonest

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merchant may often easily obtain goods, and an honest man may too quickly be refused credit.

No system can be devised to prevent some goods from being shipped to rascals, nor can ways be shaped to automatically guard against the refusal of credit to a good man, now in apparently poor financial condition according to present methods of calculation, but who in time will be in a position to demand rather than request favours.

PERSONAL SUPERVISION BY TREASURER

What I want to point out is just what any good mercantile agency man will confirm: that much real thought, care and personal attention on the part of the treasurer is needed.

He should gather all the credit information possible; then use it merely as one of the useful tools by which he digs for the truth.

Some credit men tell me that they are afraid to talk to proposed customers, the fear arising from the thought that preju-

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dice for or against the man will be created in a personal interview.

The *real* credit man, let us say the treasurer if he is well up in his business, will *want* to see *every* customer concerning whose standing there is the least shade of suspicion, or about whom very little is known, good or bad.

Of course, it will be impracticable for him to carry out his desires into a personal interview with many such, but his *desire* to refrain from making a mistake in the *man* will cause to spring in the treasurer's mind many ways and means of overcoming the difficulties of getting at the real facts in each case, whether by personal interview or otherwise.

BUSINESS FRIENDS AND ENEMIES

Some of my readers will recall instances showing the bitterness created in the breasts of honest men turned down by some credit man's rule of thumb.

On the other hand, you will remember vastly different kinds of experiences wherein you originally took what you

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thought at that time was a *chance*, and thereby made a lifelong business friend.

Now these opposites—wide apart as the poles in their effects on business—are simple enough things to mention, but they may serve the purpose of showing the good fruit to be gathered by a study of the finer points of business, in this instance exemplified by the possibility of *turning into reasonably good business risks* those cases ordinarily considered simply as chances.

COLLECTIONS

Another department calling for the display of financial ability is that employed in collecting the accounts of customers. To get the customers to pay promptly and feel no resentment in so doing is an ability, or even art, possessed by few.

Printed dunning letters, rubber-stamped reminders and all forms of stereotyped communications to customers regarding the accounts may be suitable for some lines of business, but the universal application of fixed forms or methods request-

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ing remittances is one of the least artistic means employed in any department of business.

All of the various dunning devices may be effectual in the majority of cases, and that it is so is the reason why the collections are so largely intrusted to subordinates.

In many kinds of business, however, these arbitrary rules work an injury to the business not often fully realized by the executive.

A man may be dunned into paying an account, all the while labouring under a real or fancied insult ; and when he can, he will buy elsewhere. The executive does not hear of all these cases because the disgruntled customer either nurses his grievance in secret, or, if he writes to the company, *his letter may be side-tracked*.

The treasurer should be big enough to understand that to *keep a good customer* is more profitable than to obtain a new one ; and that he has an important part to play in conjunction with the general sales manager in so doing.

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BANK CREDIT

To the average business man, until the ice has been broken, a sort of mystery surrounds the bank cashier and his business. The wise banker is making every effort to overcome the condition and bring himself into close relation with his depositor. He should be met half-way.

He cannot, without loss of position, go further than that towards a cultivation of friendship. While he is seeking business for his bank, he can never forget that he is the custodian of money belonging to other people; and he must preserve a rather more cautious attitude towards depositors and customers than is usual among business acquaintances in other lines.

The financial man should take the initiative and actively cultivate the business friendship of one or more bank cashiers. Business can rarely be conducted without bank loans. At times during the year most active enterprises require more working capital than is obtainable in the ordinary process of collections.

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One or more banks should be put in a position to supply such needs without delay. In other words, *credit must be established.*

VALUE OF BANK FRIENDSHIP

No better way of acquiring bank credit can be found than by creating and maintaining a frank and confidential relation with thoughtful and experienced bank officers. But there is another important service that may be obtained from the broadly trained bank cashier. Besides the credit accommodation you may obtain, he can help you in establishing your credit elsewhere. Having *credit* methods at his fingers' ends, he knows all the kinks to this very complicated and delicate structure. Your friend, the bank cashier, can guide you through the intricacies with experienced hands. Unless you have tried it, you will be surprised to realize in how many ways the right kind of a bank cashier can be of assistance. The help that he can give is not confined to the lending of money.

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I have spoken, in connection with banking, of the cashier, not intending, by referring to him only among the officers of the bank, to be understood as inferring that he is the one man in control of the bank's funds, nor am I overlooking the directors who really direct the bank. I am using the term "cashier" as standing for the bank's representative officer, with whom, as a general rule, the customers, at least preliminarily, come in contact.

In discussing matters with the proper officer of the bank (usually the cashier), remember that the basis upon which the idea of credit is founded is a *true statement of financial condition*.

BANK OFFICER CLOSELY WATCHED

When you go, or your financial man goes, to the bank, think of the responsibilities resting upon the bank officials in every detail connected with receiving and paying out money. Do you know how carefully the money is protected? First, there is his fidelity bond, designed to

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protect the banks' depositors; next, national bank cashiers are required to render to the Comptroller of the Currency five sworn statements of the financial condition of the bank every year; next, in the larger cities the bank is examined twice each year by a government examiner; and recently in a few cities, in addition to the government examinations, the clearing house examiner makes a special examination once in every year.

But that is not all; a large number of banks now have private special examinations by certified public accountants, either annually, semi-annually or monthly.

So you see that when you go to the bank with a statement of financial condition, you are presenting it to one whose own statements are required to be surrounded with safeguards against error.

Is it *right* for you to ask him to take your *unsupported* word and hand out to you the funds which *he must swear are intact*?

If the cashier's own statement must be so carefully prepared and verified, is it

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right for you to *neglect* or *object* or *refuse* to have your own statements confirmed?

Fortified with a minor amount of the same kind of proof that the cashier must himself obtain to pass muster, you will find your interviews at the bank not only agreeable, but very beneficial to you in more ways than one.

If you find, when you want money from the banks and cannot get it on the ground that your statement is not good enough, be assured that there is something radically wrong with your organization—some disease there; some debility in one or more of the vitals that I have pointed out as essential to successful business.

VIII

SOME OVERLOOKED EXPENSES

ONE of the most important classes of expense in manufacturing consists of what is commonly known as "overhead," or "general" expense by those who do not analyze accounts into much detail. The following incident illustrates the thought that in calculating costs, these expenses must be taken into account.

Arrangements for starting sixty salesmen on the road with samples of the new "simplex seamless stockings" occupied the principal owner of a knitting mill until late in the afternoon. He hurried home, changed his clothes, and put in an appearance at a dinner at the Manufacturers' Club. During the period between two of the courses, his neighbour, the manager of a large factory, told him about a cost system of accounts recently introduced in

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his mill. Enthusiastic in his praises, he described the various items entering into costs as shown by the cost sheets, and asserted that the system had demonstrated that there were many things connected with accurate cost accounts about which he had never before heard.

On his way home the mill owner turned the various terms that he had heard over and over in his mind. "Power cost," "supervision cost," "selling cost," and a number of other cost items stuck in his head until they began to take shape in the form of inquiries as to whether all of these things had been properly provided for in his own cost accounts. Early next morning, still thinking about the matter, he found himself critically inspecting the sheets on which the bookkeeper had neatly prepared the costs of his "simplex seamless." He could find there none of the terms so fluently used the night before by his friend. The impression that this friend had given him regarding the importance of the items mentioned formed a little disturbing element in his otherwise

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satisfied mind. He did not wish to entertain a doubt that the established method of cost calculation in his office had produced reasonably accurate results, and yet he could not get rid of the thoughts lodged there in a consideration of the subject. In order to relieve his mind of any possible chance that a mistake had been made, he consulted with the expert about whom his friend had spoken the previous evening. Much to his surprise he found that the meeting with the expert became deeply interesting. In the ensuing discussions regarding the fundamental principles of cost accounting he experienced great satisfaction, which increased the more as he grew to realize the great importance of the hitherto neglected matters. Some of the results of these consultations are expressed in a few simple thoughts set down here for the benefit of those who have not already pursued the subject to a more advanced stage.

Little analytical ability is required to find the cost of the raw materials consumed in the manufacture of any given

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article or the labour directly applied to the production of that article.

“PRIME” COSTS READILY ASCERTAINED

If certain materials of which the article is composed cost ten cents or a dollar per pound, or per yard, or per piece, it is comparatively easy to determine the number of pounds or yards or pieces of such material consumed, and arrive by a simple arithmetical process at the total cost of the materials in the finished article.

Similarly, if the price of the labour is fixed by the piece work method, the cost of the labour *directly* involved in the manufacture of the article is easily calculated. If various kinds of materials and processes are required to complete the finished article, the problem is simply extended a little—it is not complicated by the additional details.

These two ingredients, material cost and fixed or ascertainable labour cost, when added together produce a sum ordinarily referred to as “prime” cost.

Of course, it is of first importance to

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know this prime cost. Without this knowledge, no adequate idea of the total cost can be expressed ; but the ease with which these figures may usually be obtained, as compared with the struggle involved in the effort to get at the remaining facts, reduces the problem, as a problem, to a secondary place.

GENERAL EXPENSES

The real complication begins when, having realized that other figures must be found and added to the cost of the raw materials and direct labour before the cost can be ascertained, we attempt to find and apply those figures to the separate cost sheets. Very little argument is necessary to convince the manufacturer that general expenses of all kinds form just as much a part of the cost of a finished article as the more easily ascertained expenses of material and direct labour. Most large manufacturing plants thoroughly understand the necessity for consideration of the general expenses, and elaborate schemes called "cost systems"

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are devised to "take care" of all such expenses, frequently classified into three groups of costs, usually known to cost accountants by such names as "*overhead*," "*selling*" and "*administration*."

Is this interesting to any others than the "cost cranks"? Yes! In order to make the most of any manufacturing business, the moving spirit in a factory will be anxious to apply himself to the main facts of the cost of his product. He will not want to go into too many details, but he will be very desirous of knowing whether his cost figures are either truths or dangerous fallacies.

Let us try to get hold of the meat of the idea of what constitutes reliable cost accounts, so we can explain it to our assistants. Suppose, in order to talk it over, we call into our private office the man in charge of the production end of the plant. He will probably agree with us that all human effort put forth in production, in whatever form of labour it is expended, is, of course, more or less directly connected with the cost of the ar-

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ticle produced. "You take care of all that in your cost accounts, don't you?" we ask. "Oh, yes! of course," he will probably reply. Just to satisfy yourself perfectly, while not doubting him in the least, you may feel inclined to pursue the inquiry a little further by asking him, "How do you charge up the labour cost of the machinists' helpers assisting to place castings on lathes, the engineer operating the power equipment, and the general helpers unloading from cars or wagons raw materials or loading finished articles?"

SO-CALLED UNPRODUCTIVE OR INDIRECT LABOUR

You have hit on a very few examples of a very large class of pay-roll expenditures, usually described as "indirect" or "unproductive" labour. The reason for this description is found in the difficulty of ascertaining the exact amount of such labour consumed in the handling of any one article or lot. The labour of the engineer is indispensable, but it would be a

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very difficult thing to divide his time so that the exact proportion could be charged to the cost of any particular article manufactured during the course of the day. Less difficulty would be experienced in dividing the time of the general labourers, perhaps; but even this kind of labour is usually sufficiently difficult to split up and distribute to "jobs" to prevent its practical application in so-called "individual" cost accounts.

MANY EXPENSES OVERLOOKED

In the smaller plants, where the matter of accurate costs is of just as much importance as in the larger, perhaps many cases exist wherein too little attention is given to any kind of expenses other than those of material and direct labour. Many manufacturers, indeed, do add to the figures showing "cost of labour and material" an additional amount for "general expenses," ascertained by calculating an arbitrary percentage of the "material and labour" cost.

It may happen that in a factory whose

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product consists entirely of one kind of article, such as men's shoes, safety razors, or car wheels, and whose volume of sales runs from year to year without material variation, a percentage added to material and labour cost to cover all other expenses can be readily ascertained and applied; but even here various sizes and degrees of quality may upset such rough-and-ready methods.

Few people, unless they knew, could imagine the number of different kinds of automobile wheels turned out. One manufacturer produces over 300 styles, ranging from numerous sizes and designs adapted to small machines up to those built for heavy commercial trucks, some costing four times the amount of the smaller wheels.

The printing ink business is another illustration. The wide variety of colours and qualities complicates the cost accounting. One manufacturer grinds and mixes over 3,000 different numbers with prices of from a few cents to several dollars per pound.

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It can readily be seen that in any such plants as these no rule-of-thumb application of "overhead" expenses will be good enough. The sincere manufacturer will want to get his costs down much finer than is possible by any short-cut methods. He will not want to go to the other extreme, and tie everybody around his plant with so much "system" that they can do nothing useful, and he won't want to spend a dollar to ascertain the cost of a fifty-cent article.

No extremes should be permitted, as no good results can come from such. The best results can be obtained through an earnest study of the problem by the manufacturer himself in conjunction with some expert cost man who has no particular system to advocate and no hobby to ride.

Such an expert as has been trained in the school of actual experience, gained in the study of many different kinds of manufacturing plants, can bring to bear on each problem placed before him a broad mind and intelligent ability to grasp the

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particular and peculiar conditions confronting him. He can assist materially in shaping the labour of the factory accountants so that readable and comparable results can be quickly and economically obtained.

Such an expert will not find it necessary to ask that the business be made to conform to any "system." He will devise a way by which the books and accounts, whether kept in the office or factory, will fit the business, as distinguished from the ready-made system men who make any business fit their system.

IX

IMAGINED PROFITS

ON the desk of the president of a woollen goods manufacturing company were two piles of papers. The large pile consisted of the day's orders, some for the various lines manufactured by his mill, but the large number in quantity and value spoke loudly to him of his success in marketing the new X L 43. He then turned to the other pile of statements which told him the costs of the goods sold.

A pleased expression flitted back and forth over his face as his pencil figured on a pad the profits to be made on these orders. Adding the amount of the profits of the orders before him to a figure representing the profits on orders previously received and passed on to the superintendent, the president calculated on a total of 10,000 dozen of this new style, a net profit of \$26,400.

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He went over the costs again carefully from fear that he might have made a mistake in the figures, but no! there they stood out plainly enough, as he read them over :

Cost of material each.....	\$.71
Cost of labour each	.42
	\$ 1.13
General expense, 10% of \$1.50	.15
Total cost, each.....	\$ 1.28
Selling price per dozen.....	\$18.00
Cost per dozen.....	15.36
Profit per dozen	\$2.64

The figures had been prepared by the old superintendent who had calculated the cost of production for many years. In fact, there was no one else in the mill who could estimate costs and profits as closely as could this time-honoured employee.

It is no wonder that the president felt pleased at the prospects for the next semi-annual closing, now only three months away.

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He rang for his stenographer and dictated several telegrams to be sent to his travelling men, congratulating them on the large orders they were sending in.

When these had been disposed of, he sent for the superintendent, whose arrival in the office was immediately followed by a consultation as to ways and means of increasing the capacity of the machines to produce the popular X L 43. The mill hummed merrily, large quantities of these goods were shipped, more orders received and shipped until the prospect assumed the rosy hue of an unusually profitable period.

A few days after the closing period, the president again appeared at his desk gazing at two papers laid side by side before him. His aching head rested on his hands and his face wore an expression of perplexity.

One of the papers contained the profit and loss statement for the six months just ended. This had been handed him an hour before, but he had not ceased its examination, except to glance briefly from

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time to time at the X L 43 cost sheet, the other paper.

The balance of the profits for the period amounted to exactly \$2,317.58. What had become of the large profits on X L 43 alone, to say nothing about the profits on other lines?

To be sure, the salesmen had pushed this line to the uttermost, with the natural result that the sales of all other goods fell off very materially. But the profit on X L 43 ought to have been large enough to more than take the place of what might have been made on the neglected lines.

It is not to be wondered that he was worried. The more he studied the problem the more puzzled he became.

He consulted with a friend, an expert cost accountant, who suggested that perhaps a little conversation with the superintendent might throw light on the subject.

The president doubted that there was anything the matter with the cost figures of the superintendent, being more inclined to believe that there was "something

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wrong with the books," but he readily consented to anything that might help.

The expert went to the mill and met the president and superintendent. "Before I go into details," said he to the superintendent, "perhaps we can save time if you will let me ask you a question or two." The superintendent acquiesced.

"I notice that you have added fifteen cents to the cost of one 'X L 43.' Will you tell me how you obtained that amount?" asked the expert.

"That is just ten per cent. of \$1.50, the price we get for the goods," replied the superintendent.

"What does the fifteen cents general expense include?"

"All of our other expenses—general expenses, you know—office expenses and like that," he replied.

"Is the amount always just ten per cent. of the selling price?" was asked.

"I suppose it must be," he replied. "It has always been ten per cent. as long as I can remember."

"You have used this figure of ten per

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come to cover all overhead and general expenses for a number of years?" never regarded the examination.

"Oh, yes, we have always used it. What Does anybody use a different figure?" came the astonishing question.

The practical man who read this will hardly require any further explanation. Perhaps it may be added that after a careful examination it was shown that on this particular article a loss was sustained in each and every sale. The "general" expenses which in this plant were found to include salaries and wages of the superintending foreman, shipping clerk, warehousemen, stockholders, expenses for rent, freight and cartage, supplies, insurance, interest and salesman's expenses, on some of these articles amounted to over thirty per cent of the sales, instead of ten per cent, and that his "profit" as estimated on this particular article was actually wiped out. But it was very happily found that on other articles his "general expense" percentage was in reality less than he had figured.

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ADJUSTED COST FIGURES STOP LOSS

When the facts were set before the manufacturer, and he had become fully convinced of the accuracy of the adjusted cost figures, certain unprofitable lines were discontinued and other lines on which profits were shown to be good were pushed to the uttermost, resulting in a satisfactory condition in the following period.

Perhaps this may seem to some to be an exceptional case. No such errors may exist in plants in which they are interested.

Perhaps some one will feel like exclaiming, "Who could be foolish enough to leave any expense out of his costs?" Another friend may say, "We never figure 'overhead' charges on this basis of 'selling price.'" Many manufacturers, indeed, do calculate the cost of their product carefully, not depending at all on guessed costs and profits. This simple case is taken from one of a number of very busy producers who have not had the time to take up what is really a study in itself.

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They fully appreciate the importance of the provision for an exact distribution of all general expenses to the different articles produced by some method or other, and they realize the tremendous significance of inaccurate cost calculations, but it is not always clear to them that it is possible to calculate costs very closely in *their* plants. Unless one is ready to admit that it is very difficult in *some plants* he can be set down as a fool. On the other hand, we will all agree, won't we, that many tough problems can be solved if we *go at them right*.

Many things in the nature of expense are overlooked that, if taken into account, would cause the profits that we imagine to exist to fade utterly away. Take the case of one iron foundry for example. Contracts were being executed for a large lot of huge castings, on which a small but substantial profit had been estimated by the cost department. A number of carloads had been shipped and billed, but the estimated profit did not seem to materialize on these shipments. A dispute arose

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between the bookkeeping and cost departments, each claiming correctness of its own figures and asserting that errors must exist in the figures of the other.

As the result of an investigation, ordered when it was found that the argument did not abate, the expert attributed the loss largely to broken castings. The pouring of the molten iron into the immense moulds required great care and skill. Neglected supervision and ensuing carelessness caused the spoiling of a large percentage of these castings; enough, in fact, to disperse into thin air all of the profits. Perhaps no one was more astonished than the president himself when the expert told him that "if you will get down to the foundry early in the morning, and stay there with the 'eye of the master' on the men, I am convinced that you can make money." The principal trouble here was that the president, an easy-going young man, came and went as he felt disposed, leaving behind him no one sufficiently interested in the business to do other than perfunctory work.

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Estimated profits are always "imagined," but what a difference between estimates based upon known things, and estimates depending in turn upon things unknown. Such estimates are nothing more than guesses !

In most large manufacturing plants considerable outlay in the establishment of an adequate cost department is deemed advisable. Many smaller plants are not so well equipped and a great many such depend largely upon the superintendent's estimates, who rarely if ever takes into account the proper relation between "factory cost" and "selling cost."

Manufacturers who feel that they cannot, for some reason or other, maintain a competent cost clerk, ought to examine at least into the way the costs are prepared. They may find that it will be very desirable to let the superintendent furnish the office with the bare cost of labour and material per piece, pound, yard, lot or other unit, and let some one in the office, familiar with the amount of the various classes of expense, add to that cost as

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nearly the correct percentage for "selling" and other expenses as he can be trusted to calculate.

Any such general method will probably result in the placing of too much expense on some articles and too little on others, but the purely *imagined profits* are not likely to be so greatly out of proportion to the real facts as calculations made solely by the *average* superintendent.

EXPENSE A FACT—NOT THEORY

Cash paid and gone for "general expenses" is a fact—sometimes a hard fact. Cost accounts are not facts in themselves. If *accurate*, they record the facts, including proper provision for *all* items of cost. If unreliable, accounts are worthless. Believe me, this is not a mere theory! Any successful business friend of ours will tell us that *we must know our costs* accurately if we want to avoid anxious hours. Unless he has a monopoly, he will tell us that competition simply drives a man to closely scrutinize his cost accounts and to watch like a hawk the results as shown by those

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accounts, pouncing on items here and there until he has reduced the figures to the absolute minimum.

On the witness stand, in a bankruptcy proceeding, a manufacturer of ladies' suits testified that he did not know why he had failed. He swore that he had made from two dollars to three dollars at least on each suit, even of the cheapest grade, and had sold thousands of all grades. Further examination by the attorney for the creditors brought out the fact that in his imagined profits he did not take into consideration the cost of selling the suits nor his rent, heat, light and power, which if added to the cost would have produced figures overlapping the selling price.

After examining a number of such instances one almost arrives at the thought that many manufacturers do not really comprehend the essential matters connected with their business.

The unimaginative man, of course, can rarely conduct a successful business, but there are certain vital facts expressed in such real terms as "costs" and "profits"

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which ought to be so carefully examined and studied as to become almost a second nature to the manufacturer.

Such elemental principles will not be ignored and no amount of "hope" will remove the effect of omissions to study them.

Important as the problems are, they are fortunately easy of solution—at least to a reasonable degree of accuracy. Much easier is it to correctly calculate profits than to imagine them. The preliminary study consists largely in the search for knowledge of the particular principles governing the subject of costs. Once these are understood, the manufacturer should have no difficulty in mastering enough of the "science" to guide his business into successful channels.

It would be interesting to lay down a set of general rules for manufacturers to commit to memory, but the number of exceptions to those rules arising out of the peculiarities of each individual plant would effect their usefulness.

Each plant should have its own rules,

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its own principles; and the books and accounts of the business should be so kept that the manufacturer can readily extract the particular principles ruling the science of his own business.

If he will cut out all pure guesses, and test all estimates by the principles thus established, the manufacturer will eliminate much of the danger of imagining profits before they are actually earned. Caution should come to his aid to guard against danger in this respect, as it does in many other phases of his business life.

Now, to change the subject, and return from figures to something more interesting for our last thought, let us see what it is that makes business worth while.

X

BUSINESS SENTIMENT

ON a suburban train homeward bound at the end of the day sat, with a friend, the proprietor of a large paint factory. Immediately behind was the president of an important warehouse company, who leaned forward with a hearty "How are you?" to his friends in front.

An interchange of pleasantries followed this greeting. A compliment from one of those on the front seat to the warehouse man elicited the response, "I tell you that a glad hand-clasp and a hearty greeting go a long way even in business." The conversation drifted into a friendly discussion of

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The warehouse man related that while yet a boy in a glass manufacturer's office the proprietor had once said to him,

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"John, I want to impress you with the thought that if we can get our customers to *give us the preference* we shall do well." The warehouse man, now successful, added: "What a tremendous thought lies in that simple expression! All other things being equal, if business men will give any man a preference over others in his line, he will get all the business he can handle."

This thought embodies one of the forms in which sentimentality expresses itself in business. What is sentiment? What is business? Those who estimate business to be the abstract incarnation of all that is grasping and greedy can scarcely appreciate the indescribable effect of subtle influences passing back and forth between men, prompting acts not directly urged by thoughts of gain. Men who entertain such opinions will spontaneously spurn the idea that so weak a characteristic as sentiment exists in business transactions. Yet the day in the life of any business man during which he has not been guided by other than absolutely

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sordid calculations is rare indeed. What is sentiment? When we seek to frame the question in a way to call for a business answer, we are almost compelled to inquire concerning the effect upon business of the elimination of sentiment. What is business *without* sentiment? seems as intelligent a question to put as to ask, "What is sentiment *in* business?"

WHAT IS BUSINESS?

What an inclusive word is business! Your business! My business! Business consists of anything that occupies our time and attention. We may be concerned in manufacturing, mercantile, or professional pursuits, or engaged in the study of religion, art, or literature; so long as whatever we do occupies our time and attention, we are in business. If we are *busy* at anything, we are in business; if *idle*, whatever we call our nominal occupation, we are not in business. Now, it can be seen that business is nothing but an expression indicating purposeful activity. Any transaction involving the

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thing which we are especially interested in doing constitutes business. Acts, not facts, make business.

We can no more dissociate the act of a man from the man himself than we can think of a man without form. Our acts are the fruits of thought and desire. Mind and will! What else is there to a man? His brains and heart are constantly influenced by and influencing those surrounding him. One could with difficulty imagine a man cold-blooded enough to go through one short business day immune from environing atmospheres.

RESISTANCE TO GOOD INFLUENCES WELL-NIGH IMPOSSIBLE

No, much as we might desire, we cannot escape the influences going forth from our associates. Affection will manifest itself everywhere. Few cold-blooded business propositions are ever carried through to a conclusion with entire absence of feeling. The reason is obvious. Action never occurs until the will is set in motion. What is *will* but a bundle of desires, and

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what are desires but a bundle of passions more or less acute, more or less noble?

Thus we see that business acts are always accompanied by feelings of some sort. This feeling may not always belong to the highest class. Sometimes it may not be properly described as sentiment. Some motives in business transactions may be of the baser sort; and it is to the occasional exhibitions of this class of wrong passions that the negative expression "No sentiment exists in business" may be charged. What we really mean to say is that no purely unselfish motives are to be found in the ordinary course of business transactions. I am ready to combat even this restated proposition. So far from being a true statement of the case, it is contrary to the experience of all thoughtful observers. Take salesmanship, for example. One of the most prominent characteristics of the successful salesman consists in his ability to obtain an order through *friendship*. He seeks and obtains a *preference* over his fellows who have merchandise to offer of equal

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texture and price. Note the disappointment creeping through us when an order or commission or prospective fee, thought to be on its way to us, has been directed to other channels. Somebody else obtained the preference, to our undoing.

FRIENDLY FEELINGS MUST BE RECIPROCAL

Theoretically we place our wares on the market without plea for favours—but only theoretically. We consciously or unconsciously seek the preference of every one who will grant it. The foundation for the success of a business man is friendship, and he must cultivate it to get far on in the world.

This friendship must be reciprocal. No man can long stand the drain of one-sided favours. The bitter experience of those who have attempted to “hog it” attests the truth of this observation.

Some years ago a soap manufacturer became suddenly prosperous. Fortunate advertisements created a demand for his soap to such an extent that he became

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autocratic in his dealings with merchants who sent orders to him. It is said that so exaggerated was his idea of his importance that prominent wholesale houses of unquestioned financial standing were compelled by this soap manufacturer to send the actual cash with each order. He would not even accept their checks. This irritating rule was complied with under strong protest. While the fad for his soap lasted the king held fearful sway, but when his meteor began to fall and his soap ceased to be deemed an absolute necessity by the people, did the merchants experience feelings of regret? Did they come forward and offer to bolster up the shrinking king? You can depend upon it, his fall was short and hard. He had robbed himself of the most precious thing a man can have in business—his friends.

Sometimes the effects of preference in business are obvious; in other cases the recipient of the favour never knows to whom or what he is indebted. A friendly act or charitable deed by a merchant may be recalled by a purchaser in time to effect

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his choice as between several merchants otherwise equal in his eyes.

In directors' meetings it frequently happens that when the letting of contracts is being considered, there are two or more bidders so nearly equal in price and responsibility that there is little opportunity for the exercise of business judgment. More often than not one of the directors will suggest that one of the bidders be given the contract because he knows of some worthy act or good trait of character possessed by the man whose name he mentions. What motive prompted the decision? Nothing but friendly feeling—sentiment.

Perhaps the most striking example of deliberate and premeditated preference is shown in an incident that occurred a short time ago in Chicago.

A retail shoe man, a druggist, and a young lawyer sat at lunch together one stormy day. Business conditions were discussed and frank confessions by each as to the amount of his own business came without hesitation. The lawyer felt

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somewhat discouraged in having to report very little work to do. It was noticed that he had eaten sparingly. He left the restaurant before the others had finished. No sooner had he proceeded beyond hearing distance than the shoe dealer said to the other :

"It's a shame that Jim can't get more business. He has more brains than any other fellow I know. I wonder whether we can help him in any way."

"I've just been thinking the same thing," replied his friend. "What do you say to 'boosting' him among our friends? I don't mean just the ordinary glad word when somebody asks us about him. What I mean is this: You and I will make a business of bringing his name up every time we meet anybody likely to have any law business to give out."

After some further planning the two friends separated. Thereafter they sought every opportunity to bring the lawyer to the notice of their business friends, with the result that within six months the lawyer reported a very busy practice. Of

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course he learned to whom he was indebted, and he gladly vouches for the truth of the story.

TRY IT YOURSELF

If any man or woman in business doubts the prevalence of this sentiment in business, let him or her review the things heard, seen, and done during the course of any selected day. Those who, in checking off the occurrences passing before their memories, fail to find stirring examples of friendship, may assure themselves, not that such things have not taken place, but rather that they have not been heeded.

Preferences may be given and not appreciated. Pure motives prompting helpful assistance may be misinterpreted and the good deed turned into evil in the sight of the recipient; nevertheless, the good deed is there, although the perception is deficient.

The successful business man who has risen head and shoulders above the men of ordinary ability is quick to recognize

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preferences and to return the favours. He *remembers* his friends, knowing that forgotten kindness cools the ardour of even the warmest heart.

Moreover, he does not *await* the first offerings from his friends. He is ready to *create* evidences of his big way of doing business. He extends preferences to others in advance of any foreseen opportunity for the return to him.

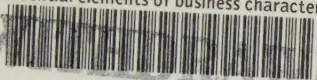
Be ready to give something not "nominated in the bond," and you will surely find responsive hearts. There is no secret of success more pronounced in its effectiveness than the proper exercise of good sentiment in business.

But let us not forget that we must first earn a deserved reputation for square dealings before we are rightfully entitled to seek preferment. Our goods or services must be at least equal to the best, and our contracts must be faithfully executed, before we can hope to cultivate successfully that preferred friendship which forms the crowning triumph of an honourable business career.

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